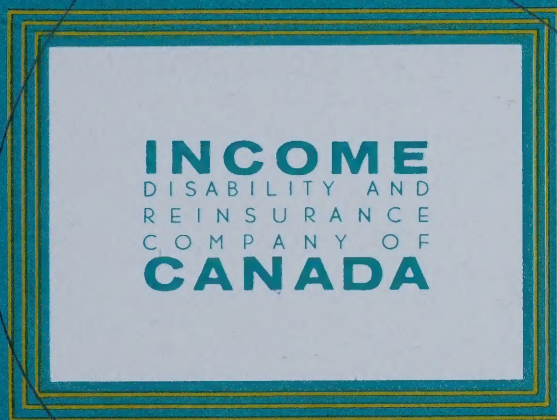


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ANNUAL REPORT NINETEEN SIXTY EIGHT

DIRECTORS

Wm. E. Brunning, President, Income Disability and Reinsurance Company of Canada

C. P. Flood, Vice-President and Secretary, Income Disability and Reinsurance Company of Canada

Wm. R. Latimer, Q.C., Partner, McCarthy & McCarthy, Toronto

Wilson J. Lee, Merchandising Executive, Retail Merchants' Association of Canada Inc., Edmonton

C. A. Read, C.A., President, Bonnycastle Travel Agency, Winnipeg

B. Rosenblatt, President, Tor-Mon Investments Limited, Hamilton

D. G. Ross, Director, Income Disability and Reinsurance Company of Canada, Toronto

H. Soule, Q.C., President, Hamilton Trust & Savings Corp., Hamilton

OFFICERS

William E. Brunning, President

Charles P. Flood, Vice-President and Secretary

REGISTRAR AND TRANSFER AGENT

Hamilton Trust and Savings Corporation, Hamilton

AUDITORS

McDonald, Currie & Co., Hamilton

BANKERS

Royal Bank of Canada, Hamilton

INVESTMENT MANAGERS

Fry Investment Management Limited, Toronto

LISTED ON

Toronto Stock Exchange

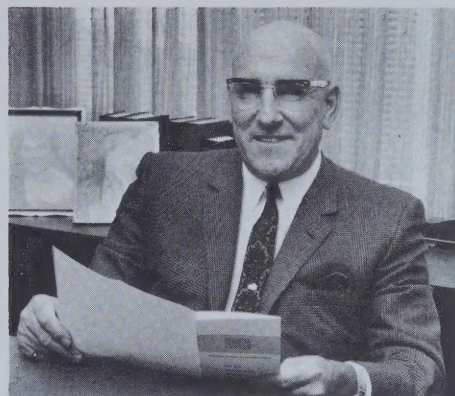
HEAD OFFICE

105 Main Street East, Hamilton, Ontario

MARKETING OFFICE

120 Adelaide Street West, Toronto, Ontario

PRESIDENT'S REPORT



TO THE SHAREHOLDERS:

It is a pleasure, on behalf of the Board of Directors, to submit our Eighth Annual Report—a report on a year of profitable accomplishment in an era of major changes throughout the life insurance industry.

Your company is not only responsive to the changes, it is both a leader and an innovator in new services and marketing techniques.

Your attention is drawn to the highlights of the year's operations and to the financial results on the following page. The year's activities marked the introduction of entirely new concepts and marketing techniques and were preparatory to further major expansion and innovation in 1969. By the end of 1969 our goal is to achieve a monthly average premium income equivalent to \$2,000,000 annually — a challenging target when measured against the seven years required to develop our existing \$1,250,000 in cash premium income.

In order to reach this goal, three production divisions have been created:

Association Group, headed by Charles P. Flood.

Payroll Deduction, headed by Richard B. Horne.

Individual Equity Savings & Pension Contracts, headed by Roy M. VanSickle.

Ernest N. Dennison has been appointed Director of Training for all three divisions.

The established Association and Payroll Divisions tested and proved the marketability of a segregated fund of common stocks, combined with fixed dollar securities and life insurance. The interest on a group basis demonstrated that an enormous potential existed for making the fund available to individuals, tailored to their needs. Thus, the new Individual Division was formed to recruit and train the manpower essential to thorough penetration of the market. The Individual Division is presently recruiting a 50-man sales force to operate under an already established and experienced five-man executive team. All three divisions share recruiting, training and corporate services. Our growth record and the unique range of services offered have been instrumental in enabling us to place under contract a nucleus of the seasoned and aggressive sales personnel needed to approximately double our monthly activities twelve months from now.

For each of the past three years we have had a net profit of more than \$100,000. Much of our business is now reasonably seasoned. At the same time we have made a considerable investment in preparing for changes and in implementing these significant moves. Our statements reflect steady increases in all areas of operation and we are aware that additional expenditures will be required to carry out all of our growth plans. We are building a well-organized base with thoroughly researched plans, permitting us to believe that our goals while substantial are quite feasible.

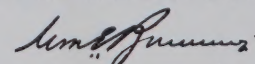
The developing needs of the public provide an exciting opportunity for new methods, new policies, new choices and sound rapid growth. The life insurance industry is moving into possibly the greatest expansion period in its history and it would appear that the opportunity for sales has never been better.

The last year saw excellent growth in our sales through Association Group and Payroll Deduction contracts. The year ahead is expected to produce new record sales in these areas. Many thousands of members and employees of associations,

industrial and business groups, have become potential clients of our Company from past negotiations. In line with our reputation, our extensive personalized services are being offered as widely and as quickly as possible to these prospects. It is worth restating that approximately 75% of our company's premium receipts in these categories are handled by payroll deduction, eliminating thousands of individual payment transactions annually, with a consequent favourable effect on our costs and results in these and future years.

I want to thank our shareholders for the assistance many of them have freely given in the development of new business and record our appreciation to the heads of our various large Association clients for their confidence during the building period. My special thanks go to Income's fine staff whose efforts have made possible a remarkable year of change and achievement.

On behalf of the Board of Directors,



WM. E. BRUNNING,
President.

HIGHLIGHTS

Changed from a provincially licensed Disability company to a federally licensed Life and Disability company on March 1, 1968, permitting entry into all Provinces.

Listed on the Toronto Stock Exchange on May 24, 1968.

Recognizing the requirement of professional investment advice, engaged Fry Investment Management Co. Ltd. as managers of our portfolio.

On June 21, 1968, created a segregated common stock fund to form part of our new balanced fund contract. By December 31, 1968, the fund had increased in value by 29%.

Began marketing the Balanced Fund contract offering an equal investment in guaranteed and common stocks, plus term life insurance, with all three payable in the event of a claim. One of Canada's largest Associations was the first sponsor.

Established a new training department to prepare for dual licensing which will enable our personnel to market both mutual funds and life insurance, including equity contracts.

Produced more than \$22 million of Life Insurance during the ten-month period commencing 1 March, 1968. This was accomplished, without impairment of capital, during a period in which we achieved the largest increase in surplus in our history.

Increased book value from \$9.72 to \$10.57 per share.

Increased profits by 72% as earnings per share grew from 43c to 74c.

Increased total premium income by 20.2%.

Declared our initial dividend of 10c per share to stockholders of record as of February 25, 1969.

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA (note 1) BALANCE

ASSETS

	1968	1967
Investments—		
Bonds and debentures	\$1,286,397	\$1,323,858
Short term deposits	78,705	56,464
Mortgages	1,478,449	1,585,411
Common shares	459,783	82,700
	<u>3,303,334</u>	<u>3,048,433</u>
Interest due and accrued	26,728	28,325
	<u>3,330,062</u>	<u>3,076,758</u>
Segregated investment fund assets	58,605	—
Outstanding premiums receivable	47,197	40,149
Due from brokers and others	54,044	—
Amounts due from reinsurers	19,124	163,023
Other admitted assets	22,557	20,664
	<u>\$3,531,589</u>	<u>\$3,300,594</u>

SIGNED ON BEHALF OF THE BOARD: WM. E. BRUNNING, *Director*; CHARLES P. FLOOD, *Director*.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1968

1. CHANGE IN COMPANY NAME

The company became a federal company on March 1, 1968 and changed its name from "Executive Life and Disability Company of Canada" to "Income Disability and Reinsurance Company of Canada."

2. CONTINGENT LIABILITY

The company has guaranteed loans to agents totaling \$50,000.

3. SHARE PURCHASE WARRANTS

153,720 share purchase warrants are outstanding and

must be exercised on or before December 31, 1975 at the following prices per share:

\$12.00 until December 31, 1970

\$14.00 thereafter and until December 31, 1972

\$16.00 thereafter and until December 31, 1975

4. OPTIONS TO PURCHASE SHARES

The company has 84,100 shares reserved for options as follows:

LIABILITIES, CAPITAL AND SURPLUS

	1968	1967
Provision for unearned premiums	\$ 80,794	\$ 91,536
Provision for unpaid and unreported claims	439,592	298,914
Provision for contingencies	198,612	330,766
Deposit premiums pending policy issue	10,987	10,091
Premium taxes payable	13,633	15,613
Other liabilities	95,829	67,670
	<u>839,447</u>	<u>814,590</u>
Segregated investment fund liabilities	58,605	—
	<u>898,052</u>	<u>814,590</u>
Capital and surplus (notes 3 and 4)		
Capital stock—Authorized 1,000,000 shares of \$5 par value each		
—Issued 245,920 shares including 500 shares issued during the year for cash	1,229,600	1,227,100
Investment reserve	35,311	100,000
Surplus	1,368,626	1,158,904
	<u>2,633,537</u>	<u>2,486,004</u>
	<u>\$3,531,589</u>	<u>\$3,300,594</u>

	Greater of 85% of market value or—		
	\$7.50	\$12.00	Total
Earned or granted	3,920	14,460	18,380
Balance available	58,380	7,340	65,720
Total shares reserved	<u>62,300</u>	<u>21,800</u>	<u>84,100</u>

Options at 85% of market value or \$7.50 are available to sales personnel only.

All options may be earned or granted on a formula established by the Board of Directors and these must

be exercised upon certain dates specified by the Board but no later than April 1, 1974. No options were exercised during the year.

5. EARNINGS

The company funded the past service pension cost in 1968 which it had previously decided to amortize over four years. The cost of this policy change has been charged to operations. However, as a result of certain recoveries realized on prior years' reinsurance contracts, a reduction in the current year's provision for claims reserves was realized so that the net effect on earnings was not material.

Income Disability and Reinsurance Company of Canada

SUMMARY OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
SURPLUS—BEGINNING OF YEAR	\$1,158,904	\$1,077,985
Add: Net income for the year	182,108	105,771
Reduction in investment reserve	64,689	—
Net gain on sale of securities	12,925	—
Morbidity fluctuation reserve—no longer required	—	19,600
	<u>1,418,626</u>	<u>1,203,356</u>
Less: Appropriations—		
Segregated investment fund	50,000	—
Investment reserve	—	8,545
Adjustment of prior year's earnings	—	35,907
	<u>50,000</u>	<u>44,452</u>
SURPLUS—END OF YEAR	<u>\$1,368,626</u>	<u>\$1,158,904</u>

Income Disability and Reinsurance Company of Canada

SUMMARY OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
Premium income	\$1,241,097	\$1,032,243
Net investment income	191,664	179,372
	<u>1,432,761</u>	<u>1,211,615</u>
Net claims paid	491,833	343,711
Increase in claims reserve	128,484	142,935
Increase (decrease) in unearned premium reserve	(10,742)	10,792
Increase in actuarial reserve	9,212	—
Increase (decrease) in other special reserves	(30,340)	89,871
Commissions to agents	133,355	107,921
Increase (decrease) in agents' balances	47,729	(15,235)
Premium taxes	22,385	19,502
Other operating expenses	458,737	406,347
	<u>1,250,653</u>	<u>1,105,844</u>
Net income for the year	<u>\$ 182,108</u>	<u>\$ 105,771</u>

Auditors' Report to the Shareholders

We have examined the balance sheet of Income Disability and Reinsurance Company of Canada as at December 31, 1968 and the related summaries of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records as we considered necessary in the circumstances. The claims reserve and other actuarial liabilities have been determined and certified by the company's actuary and have been accepted by us.

The total value at which the investments are shown on the balance sheet after deducting the investment reserve is not greater than that authorized under the insurance laws of Canada.

In our opinion, based upon our examination and upon the certification referred to above, the accompanying balance sheet and related summaries of operations and surplus present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year, except as referred to in Note 5 with which we concur.

Hamilton, Ontario,
February 4, 1969.

MCDONALD, CURRIE & Co.,
Chartered Accountants.



Roy M. VanSickle, Agency Director, right, and Ernest N. Dennison, Training Director, are shown discussing marketing plans for Income's new Triple Equity Protection Program.



William E. Brunning, President, and Charles P. Flood, Vice President and Secretary, check a list of the Company's Association Group Plans, many of which were installed by these two men who have been associated in business for more than 20 years.



Richard B. Horne, Director of Payroll Deduction, discusses with his Associates some of the features of this important area of the Company's activities. Left to right: William Routledge, Richard Horne, Allan Ingram and Dennis McCann.

WHAT WE DO AND HOW WE DO IT . . .

We provide people with protection in the event of illness, accident or death—insurance against events that often spell financial disaster . . .

We enable companies and associations to provide employee and member benefits at the lowest possible cost through volume and mass buying power . . .

We fill the gap between traditional insurance needs and the growing desire of all sorts of people to afford a wide range of life and income protection plans for themselves and their families . . .

We are specialists in designing flexible packages and combinations answering the special needs of professional, industrial, business and trade groups . . . more substantial amounts, broader coverage and lower rates with a minimum of administration and servicing costs built into our marketing techniques . . .

We offer whole life and term insurance to groups and individuals at competitive rates . . .

We give breadwinners, key men and owners of small businesses the means to keep going when trouble comes . . .

AND . . .

We now give the public an opportunity to balance their total insurance program with participation in professionally managed savings and pension funds—total personal financial planning, money management appealing especially to people without the time or the experience to do it for themselves . . .

YOU are invited to ask us about any of our plans and programs for yourself, your company or a group to which you belong . . .

INCOME
DISABILITY AND
REINSURANCE
COMPANY OF
CANADA

ANNUAL REPORT 1968